

**DIRECT TESTIMONY OF**

**JAKEYLA S. JAMES**

**ON BEHALF OF**

**THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2019-64-WS**

**IN RE: APPLICATION OF CUC, INCORPORATED FOR ADJUSTMENT OF  
RATES AND CHARGES**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.**

**A.** My name is Jakeyla S. James. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina, 29201. I am employed by the South Carolina Office of Regulatory Staff (“ORS”) in the Audit Department as an Auditor.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

**A.** I received a Bachelor of Science Degree in Business Administration with a major in Accounting from Lander University in May 2014. I began employment with ORS in July 2016 and since then have participated in various audits dealing with the regulation of telecommunications, electric, gas, and water and wastewater companies.

**Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?**

**A.** No. I have not previously testified before the Commission.

**Q. WHAT IS THE MISSION OF THE OFFICE OF REGULATORY STAFF?**

**A.** ORS represents the public interest as defined by the South Carolina General Assembly as:

[T]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

**Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING?**

**A.** The purpose of my testimony is to set forth ORS's findings and recommendations for certain adjustments resulting from ORS's examination of the application of CUC, Inc. ("CUC" or "Company"), in Docket No. 2019-64-WS. Specifically, I will be addressing ORS's findings and recommendations for adjustments 3E, 3G, 3H, 3J, 4, 6A, 9, 10, 11 and 12. These findings and recommendations are explained in detail in my testimony.

**Q. WAS THE REVIEW PERFORMED BY YOU OR UNDER YOUR SUPERVISION?**

Yes. The review to which I testify was performed by me or under my supervision.

**Q. PLEASE EXPLAIN ORS'S RECOMMENDED ADJUSTMENTS.**

**A.** Adjustment #3E – Maintenance Expense

ORS and CUC propose an adjustment to remove and capitalize maintenance expenses. ORS reviewed invoices for maintenance expenses the Company proposed to be capitalized. ORS determined ultraviolet ("UV") bulbs did not meet the criteria to be capitalized due to their estimated service life of only one year and should remain in maintenance expense. ORS did not include \$845 related to the UV bulbs and freight in the calculation of its adjustment. The total adjustment proposed by ORS is (\$1,084).

Adjustment #3G – Transportation Expense

ORS and CUC propose an adjustment to transportation expense to reflect the removal of officer expenses and the addition of gas allowances based on mileage using the methodology approved in Order No. 2014-1001. Gas allowance for the officers was

1 calculated using the 2019 federal mileage rate of \$.58 for a total of \$8,352. Officer expenses  
2 incurred during the test year related to gas, travel, vehicle, and miscellaneous expenses of  
3 \$6,122 were removed. The Company also proposed an adjustment of \$1,200 to include a  
4 gas allowance for an employee that did not have a gas card during the twelve months ended  
5 December 31, 2018 (“test year”). ORS did not include the \$1,200 in the calculation of its  
6 adjustment as other operators purchased the employee’s gas using their authorized gas cards  
7 during the test year. Therefore, the gas purchased for this employee is already included in  
8 transportation expense for the test year. ORS also removed \$63 of gas expense in its  
9 calculation as this expense is capitalized as part of tap installation cost. The total adjustment  
10 proposed by ORS is \$2,167.

11 Adjustment #3H – Insurance Expense

12 ORS and CUC propose an adjustment to increase insurance to reflect new vehicles  
13 purchased after the test year and remove insurance on the officer’s vehicle. ORS reviewed  
14 invoices for insurance for four new trucks the Company purchased, as well as, the officer’s  
15 vehicle the Company proposed to remove. Based on the review performed, total insurance  
16 paid in 2019 was \$14,290. ORS and the Company removed the insurance related to the  
17 officer’s vehicle of \$2,731, and subtracted the test year vehicle insurance expense of \$11,706.  
18 In addition, ORS removed \$133 of insurance expense as this expense is capitalized as part  
19 of the tap installation cost. The total adjustment proposed by ORS is (\$280).

20 Adjustment #3J – Sludge Removal

21 ORS and CUC propose an adjustment to sludge removal expense to normalize the  
22 test year. The Company used a two-year average of expenses for 2017 and 2018 to calculate  
23 its adjustment. ORS used a three-year average, August 2016 through July 2019, of sludge

1 removal expenses to calculate its adjustment. An average was used to normalize sludge  
2 removal expenses for the test year as they were abnormally low due to high rain fall, and the  
3 Company could not haul sludge in those conditions. ORS calculated a three-year average  
4 amount of \$16,299, less the per book amount of \$9,955, for a total ORS adjustment of \$6,344.

5 Adjustment #4 – Depreciation and Amortization

6 ORS and CUC propose to annualize depreciation and amortization expense. CUC  
7 proposes to adjust depreciation to reflect the addition of new company vehicles, remove the  
8 officer vehicle, and amortize tap fees. ORS's adjustment accounts for the Commission  
9 ordered plant adjustments made in prior rate cases and allowable plant additions and  
10 retirements since the last rate case. Details of the ORS depreciation expense adjustment are  
11 shown in Audit Exhibit KLM-5, attached to ORS witness Kelvin Major's testimony. ORS's  
12 calculated total depreciation expense of \$15,794, less the per book amount of \$24,946, for a  
13 total adjustment of (\$9,152).

14 Adjustment #6A – Property Taxes

15 ORS and CUC propose an adjustment to increase property taxes to reflect new  
16 vehicles purchased after the test year and remove property taxes on the officer's vehicle.  
17 Total property taxes related to the four new trucks is \$5,252. ORS and the Company removed  
18 the per book property taxes on the officer's vehicle of \$985 in the calculation of their  
19 adjustments. In addition, ORS removed the per book property taxes of the old trucks of  
20 \$1,252 in the calculation of its adjustment. The total adjustment proposed by ORS is \$3,015.

21 Adjustment #9 – Gross Plant in Service

22 ORS proposes to adjust plant in service to reflect plant additions and retirements  
23 since the last rate case. This includes the addition of the four new trucks, the retirement of

1 the three old trucks and the removal of the officer's vehicle. ORS also included cumulative  
2 tap expenses capitalized through 2013 that were capitalized in the last rate case and  
3 included in Order No. 2014-1001. These tap expenses were not included in plant in service  
4 by the Company. Cumulative tap expenses were calculated by ORS for the period 2014  
5 through 2019 and have been included in the ORS gross plant in service calculation. See  
6 Audit Exhibit KLM-5, attached to ORS witness Kelvin Major's testimony, for the details.  
7 ORS's calculated plant in service of \$795,797, less the per book amount of \$603,995, for  
8 a total ORS adjustment of \$191,802.

9 Adjustment #10 – Accumulated Depreciation

10 ORS proposes to adjust accumulated depreciation to reflect the ORS updated gross  
11 plant in service. See Audit Exhibit KLM-5, attached to ORS witness Kelvin Major's  
12 testimony, for the details. ORS's calculated accumulated depreciation of (\$567,832), less  
13 the per book amount of (\$508,622) equals ORS's adjustment of (\$59,210).

14 Adjustment #11 – Contributions in Aid of Construction ("CIAC")

15 ORS proposes to adjust CIAC to reflect updated CIAC adjusted for tap fees collected from  
16 customers since the last rate case. Cumulative tap fees were calculated by ORS for the  
17 period 2014 through 2019 and have been included in the ORS CIAC calculation. ORS  
18 calculated total CIAC of (\$1,233,902), less the per book amount of (\$831,775), for an  
19 adjustment of (\$402,127).

20 Adjustment #12 – Accumulated Amortization of CIAC

21 ORS proposes to adjust accumulated amortization of CIAC to reflect the updated CIAC using  
22 the actual accumulated amortization calculated by ORS. ORS's adjustment to accumulated  
23 amortization of CIAC is \$1,091,088.

1   **Q.     WILL YOU UPDATE YOUR TESTIMONY BASED ON INFORMATION THAT**  
2       **BECOMES AVAILABLE?**

3   **A.**Yes. ORS fully reserves the right to revise its recommendations via supplemental  
4       testimony should new information become available not previously provided by the  
5       Company.

6   **Q.     DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

7   **A.**Yes, it does.